

# Pegmont Mines Limited

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The Manager  
National Stock Exchange of Australia  
384 Hunter Street  
Newcastle NSW 2300

Dear Sir,

## Quarterly Activity Report to 31 March 2007

We submit the following report for Pegmont Mines Limited for the three months to 31 March 2007.

### 1. Summary

Investment activities during the quarter realised a **pre-tax share trading profit of \$ 2,651,112** up 147.7% on March '06. Interest received during the quarter was \$44,628, up 309.5% on 2006.

**Listed share investments**, at cost, totalled \$7,251,757 (14.3c/share), having a market value of \$7,836,311 (15.5c/share). Cash at bank and on deposit was \$3,618,804 (7.1c/share) at 31 March 2007.

Exploration expenditure was \$50,414 during the quarter, including **Pegmont** mining leases \$27,174 and metallurgical costs of \$10,152. During the quarter, rental refunds of \$55,483 were received on the withdraw of a number of tenement applications in the Kimberley region, which resulted in a net credit of \$5,069.

### 2. Exploration Activity

The first step in our scoping study on the Pegmont Pb/Zn deposit has been completed. The historical drill data for Pegmont has been collated and variously amended with collars and drillhole azimuths now located on a common coordinate reference frame (Geocentric Datum of Australia - GDA 94). This updated drilling database and the plans and sections derived from it can now used to formulate the 2007 drilling program. The second phase of the study is to undertake 4000 m of RC and diamond

core drilling. Three thousand metres of drilling will be undertaken on the known Pegmont mineralisation for a number of purposes. These include providing additional structural data, delineating the oxide-sulphide interface and furnishing a representative set of samples for further metallurgical testing. The additional drilling will also be used to develop a more accurate resource model. Furthermore, the Pegmont program will include 1000 m of drilling on the large Sharry Creek IP anomaly to determine cause of the anomaly.

It is also planned to undertake a separate 5-600 m initial drilling program at the optioned New Hope prospect, 15 km NW of Pegmont. This has been carried over from last year's program because of the unavailability of a drilling rig.

Metallurgical work on Pegmont mineralisation continued during the quarter. As previously reported, the oxide material has proven to be very refractory to conventional treatment (sulphuric acid leaching) thus necessitating the consideration of non-conventional chloride leach processing methods. The Intec program comprises three tests, two on bulk sulphide concentrate and one on the oxide mineralisation. This program commenced in late March. The other program examined the oxide material alone, mixed bulk sulphide concentrate mixed with oxide and bulk sulphide concentrate alone. This experimental bench-top testing has produced encouraging results in converting the base metals into soluble chlorides, including those in the oxide ore. Further work is required be carried out in the development of this technology and its application to Pegmont mineralisation.

A watching brief has been maintained on the Kimberleys (Kimberley Ventures), the Pilbara (Pilbara Ventures) and the Ravensthorpe areas (all in WA), particularly by monitoring the progress of companies we are investing in, together with the activities of their direct competitors. No field work was undertaken during the quarter.

### 3. Investment Activities

Pre-tax realised share trading profits were \$ 2,651,112 (5.3c/share) for the quarter, plus interest received of \$44,628.

#### Investment Activity Summary

Shares Traded	March Quarter 2007 <u>\$000</u>	March Quarter 2006 <u>\$000</u>	Budget Year 2007 <u>\$000</u>
Proceeds	8,159	2,905	20,000
Cost	5,508	1,835	16,000
Profits	2,922	1,078	4,000
Losses	(271)	(8)	-
<b>Net realised Profit</b>	<b><u>2,651</u></b>	<b><u>1,070</u></b>	<b><u>4,000</u></b>
<b>Profit Margin %</b>	<b>32.5</b>	<b>36.8</b>	<b>20.0</b>

The above results do not include net unrealised gains of \$584,554 at 31 March 2007.

Since stock market prices remain volatile a fairly cautious approach of maintaining a high cash ratio has been taken

#### 4. Corporate Liquidity

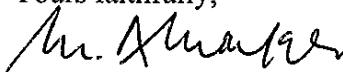
The company's cash position at 31 March 2007 was \$3,618,804 (7.1c/sh) after payment of company income tax \$780,000 in respect to the 2006 year. This position represents 32.8% of total cash and share assets.

#### 5. Income and Expenditure (cash basis)

Income Received	March Quarter	Year 2007	Budget 2007
	\$	\$	\$
Interest	44,628	44,628	150,000
Net Profit on sale of shares	<u>2,651,112</u>	<u>2,651,112</u>	<u>4,000,000</u>
	<u>2,695,740</u>	<u>2,695,740</u>	<u>4,150,000</u>
<b>Exploration Expenditure</b>			
Pegmont deposit – geology & general	27,174	27,174	600,000
- metallurgy	10,152	10,152	100,000
Pegmont regional	3,693	3,693	120,000
Other	<u>9,395</u>	<u>9,395</u>	<u>80,000</u>
	<u>50,414</u>	<u>50,414</u>	<u>900,000</u>
Rental refunds tenement applications	<u>55,483</u>	<u>55,483</u>	-
Net exploration expenditure	<u>(5,069)</u>	<u>(5,069)</u>	<u>900,000</u>
<b>Corporate Expenditure</b>			
Administration	86,105	86,105	377,500
Directors Fees	52,500	52,500	172,500
Share Investments	1,754,462	1,754,462	1,310,000
Company Income Tax	<u>780,000</u>	<u>780,000</u>	<u>1,390,000</u>
	<u>(2,673,067)</u>	<u>(2,673,067)</u>	<u>3,250,000</u>
Net Cash Surplus/ (Deficit)	27,742	27,742	-
Add opening cash balances.	<u>3,591,062</u>	<u>3,591,062</u>	<u>3,591,062</u>
<b>Closing Cash Balances.</b>	<u>3,618,804</u>	<u>3,618,804</u>	<u>3,591,062</u>

In summary share trading profits funded exploration, administration and tax expenditures together with a further increase in share investments. Our financial goal is to achieve budget share trading profit of \$4 million as soon as prudently possible and maintain working capital above \$10million; an improvement of \$2.1 million on 31 December 2006.

Yours faithfully,



M. A. Mayger  
Managing Director